Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

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Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	4,560		4,530	
Sales (Rs. m)	79,458	94,100	78,143	92,398
% Chng.	*1.7*	*1.8*		
EBITDA (Rs. m)	18,407	22,256	18,698	22,318
% Chng.	*(1.6)*	*(0.3)*		
EPS (Rs.)	95.3	114.0	94.8	113.1
% Chng.	*0.6*	*0.8*		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	52,995	64,920	79,458	94,100
EBITDA (Rs. m)	11,424	15,421	18,407	22,256
Margin (%)	*21.6*	*23.8*	*23.2*	*23.7*
PAT (Rs. m)	8,402	12,227	14,445	17,280
EPS (Rs.)	55.5	80.7	95.3	114.0
Gr. (%)	*14.5*	*45.5*	*18.1*	*19.6*
DPS (Rs.)	5.0	7.5	8.4	9.0
Yield (%)	*0.2*	*0.2*	*0.3*	*0.3*
RoE (%)	*14.7*	*18.4*	*18.4*	*18.6*
RoCE (%)	*15.7*	*19.4*	*19.9*	*20.4*
EV/Sales (x)	9.0	7.1	6.0	4.9
EV/EBITDA (x)	41.7	30.1	25.7	20.9
PE (x)	59.0	40.6	34.3	28.7
P/BV (x)	8.1	6.9	5.8	4.9

Key Data	PIIL.BO | PI IN
52-W High / Low	Rs.3,699 / Rs.2,442
Sensex / Nifty	61,730 / 18,203
Market Cap	Rs.497bn/ $ 6,009m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.1091.18m

Shareholding Pattern (%)

Promoter's	46.08
Foreign	18.29
Domestic Institution	24.06
Public & Others	11.10
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.8	(0.7)	22.8
Relative	0.2	(0.9)	5.0

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P.I. Industries (PI IN)

Rating: BUY | CMP: Rs3,274 | TP: Rs4,560

Exceeds guidance in FY23; outlook positive

Quick Pointers:

- CSM/domestic revenue growth of 15%/1% YoY respectively.
- CSM order book at USD1.8bn (+29% YoY and flat QoQ).

PI Industries (PI) 4QFY23 results were lower than our and consensus estimates with Revenue/EBITDA/PAT growth of 12%/12%/37% YoY (PLe 20%/30%/47% YoY) given subdued demand environment in both the domestic and exports segment. CSM revenue grew 15% YoY to Rs12.8bn (PLe Rs13.9bn; Volume/price growth of -2%/+17% YoY), while domestic revenue grew merely 1% YoY to Rs2.84bn (PLe Rs2.83bn led by volume/price growth of +2%/-1% YoY). Gross margins improvement of 70bps YoY to 44.8% was mitigated by higher employee and other expenses up 40bps/30bps YoY resulting into flat EBITDA margins at 21.9% YoY (PLe23.9%). CSM order book position stood at USD1.8bn (+29% YoY and flat sequentially) largely towards agri portfolio led by increased demand for some existing molecules.

Citing robust demand momentum, PI continues to guide revenue growth of 18-20% YoY along with consistent margin improvement primarily driven by strong enquiries in CSM business and new launches in domestic segment. The twin pharma acquisition announced recently (in april'23) is also anticipated to support overall growth. We broadly maintain our EPS estimates factoring in company's robust performance and expect Revenue/PAT CAGR of 21%/19% (FY11-23, 20%/28%) over FY23-25E. Maintain 'BUY' with revised TP of Rs4,550 (earlier Rs4,530) based on 40xFY25 EPS.

Demand traction in exports drives overall performance: Consolidated revenues were up 12% YoY to Rs15.7bn (PLe Rs16.8bn) led by 15%/1% YoY growth in CSM/domestic revenues. Further, CSM revenues were up 15% YoY driven by volume/price mix of -2%/+17% YoY. Domestic revenues were up 1% YoY to Rs2.8bn driven by volume growth of 2% YoY offset by 1% YoY decline in prices. We believe subdued growth in domestic market is largely led by adverse weather conditions coupled with higher channel inventory. Gross margins were up 70bps YoY to 44.8% in 4QFY23. However, higher employee cost and other expenses up 40bps/30bps YoY have resulted to flat EBITDA margins of 21.9% (PLe 23.9%). PAT increased by 37% YoY to Rs2.8bn (PLe Rs3.0bn). For FY23, Revenue /EBITDA/PAT increased by 23%/35%/46% YoY to Rs64.9bn/15.4bn/12.2bn respectively led by 26%/12% YoY growth in CSM and domestic business. Further, 26% YoY growth in CSM was led by 11%/15% YoY growth in volume/prices. Domestic growth of 12% YoY was led by 8%/4% increase in volume/prices.

4 new products commercialized in CSM segment: PI commercialized 4 new molecules during FY23, while 4-5 more products are planned to be commercialized in FY24. PI has more than 40 products at different stages of scale up in the CSM segment. Further, the R&D pipeline has >25% products from non-agrochemical segment. Additionally, the company is in discussion with global innovators for development partnership of 2 promising leads (1 novel fungicide and 1 novel broad spectrum insecticide) having sizeable market opportunity.

Remains confident of achieving 18-20% revenue growth: PI maintained its guidance to achieve revenue growth of 18-20% for next few years with improvement in margins led by better operating leverage and ramping up of new products.

Other highlights

New product launches in domestic market to propel growth: PI launched 7 new products in the domestic market in FY23. Provide- herbicide with pre-emergence to post-emergence application on cotton crop. Dinoace- which is a dual action insecticide for cotton crop. Sectin- a combination fungicide with excellent curative control against downy mildew and late blight. Brofreya – a revolutionary Insecticide bringing technological advancements for Indian farmers. Taurus- Nematicide for nematode control in vegetables. Tomatough- biological product to enhance plant health and Ultimare from Jivagro. Additionally, the company has >17 new products at different stages of development and registration in the domestic market and planning to launch 5 innovative products in FY24.

Ramping-up the biologicals portfolio: PI launched 4 new products in the biological segment in FY23. Humesol- a specialized tonic for soil health and Biovita- Bio-stimulant for plant growth. Tomatough- a health booster launched in 3QFY23 and Siapton & Rapigro- amino acid based bio-stimulants. Strong pipeline of biologicals and bio simulants products are at different stages of development, likely to drive growth in the coming quarters.

Order book: CSM order book position stood at USD1.8bn (+29% YoY and flat sequentially) largely towards agri portfolio led by increased demand for some of their existing molecules.

Capex: Spent Rs3.4bn in FY23 as against Rs3.2bn in FY22. However overall capex for FY24 stands at Rs8.5-9.0bn primarily led by Rs3.0bn capex spillover to next year due to re-designing of MPP's.

Cash balance: PI has cash (net of debt) of INR32.34bn (which includes the QIP money of Rs20bn raised in July'20).

RM Inventory on the lower side at Rs14.0bn, down 2% YoY (down to in terms of sales to 145days in March'23 as against 155 days last year) led by robust demand scenario globally and ensure continued supply amid supply chain disruptions globally.

Pharma acquisition: PI Industries announced (Apr'23) that the company along with its wholly owned subsidiary PI Health Sciences Ltd (PIHS) has executed definitive documents with a) Therachem Research Medilab LLC (TRM) - for acquiring its wholly owned subsidiaries in India and assets in the US and b) 100% stake in Archimica. As per our estimates, this deal looks EPS accretive to the tune of 5-8% for FY24/25E (to be largely led by superior margin profile of combined acquired entities at ~27%).

Exhibit 1: Q4FY23 Result Overview (Rs mn)

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues	**15,656**	**13,952**	***12.2***	**16,132**	***(3.0)***	**64,920**	**52,995**	***22.5***
Raw material	8,639	7,804	*10.7*	8,525	*1.3*	35,527	29,228	*21.6*
Staff costs	1,345	1,140	*18.0*	1,333	*0.9*	5,266	4,804	*9.6*
Others	2,244	1,958	*14.6*	2,123	*5.7*	8,706	7,539	*15.5*
Total expenditure	**12,228**	**10,902**	***12.2***	**11,981**	***2.1***	**49,499**	**41,571**	***19.1***
EBITDA	**3,428**	**3,050**	***12.4***	**4,151**	***(17.4)***	**15,421**	**11,424**	***35.0***
Depreciation	577	536	*7.6*	567	*1.8*	2,265	2,018	*12.2*
EBIT	**2,851**	**2,514**	***13.4***	**3,584**	***(20.5)***	**13,156**	**9,406**	***39.9***
Less: Interest Expense	33	27	*22.2*	89	*(62.9)*	371	128	*189.8*
Add: Other income	495	200	*147.5*	502	*(1.4)*	1,590	1,014	*56.8*
Profit Before Tax	**3,313**	**2,687**	***23.3***	**3,997**	***(17.1)***	**14,375**	**10,292**	***39.7***
Less: Provision for Tax	519	649	*(20.0)*	484	*7.2*	2,148	1,890	*13.7*
Less: Minority Interest	12	6	*100.0*	5	*140.0*	-	-	
Adjusted Profit	**2,806**	**2,044**	***37.3***	**3,518**	***(20.2)***	**12,227**	**8,402**	***45.5***
Add: Exceptional items	-	-	*NA*	-	*NA*	-	-	
Reported profit	**2,806**	**2,044**	***37.3***	**3,518**	***(20.2)***	**12,227**	**8,402**	***45.5***
Minority interest	12	6		5				
No. of Diluted shares outstanding (mn)	152	152		152		152	152	
Adjusted Diluted EPS	18.5	13.5	*37.3*	23.2	*(20.2)*	80.7	55.5	*45.5*
As % of net revenues								
Raw material	55.2	55.9		52.8		54.7	55.2	
Staff expenses	8.6	8.2		8.3		8.1	9.1	
Other expenses	14.3	14.0		13.2		13.4	14.2	
EBITDA	21.9	21.9		25.7		23.8	21.6	
Net profit	17.9	14.7		21.8		18.8	15.9	

Source: Company, PL

Exhibit 2: CSM business continues to post double digit revenue growth

(Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
CSM Revenue	6,830	6,140	7,990	9,020	10,060	8,070	9,930	10,763	11,142	11,421	12,783	13,286	12,814
YoY gr. (%)	13.6	22.6	25.0	40.1	47.3	31.4	24.3	19.3	10.8	41.5	28.7	23.4	15.0

Source: Company, PL

Exhibit 3: Domestic revenues largely muted led by adverse weather and higher channel inventory

(Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Domestic Revenue	1,722	4,461	3,587	2,601	1,911	3,868	3,610	2,800	2,810	4,011	4,917	2,846	2,842
YoY gr. (%)	(15.5)	76.3	33.6	26.4	11.0	(13.3)	0.6	7.7	47.0	3.7	36.2	1.6	1.1

Source: Company, PL

Exhibit 4: EBITDA margins remained flat YoY at 21.9%

(Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
EBITDA	1,863	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050	3,456	4,319	4,151	3,428
Margin (%)	21.8	21.6	24.2	23.7	19.0	20.8	21.6	21.9	21.9	22.4	24.4	25.7	21.9

Source: Company, PL

Exhibit 5: CSM Order book of USD1.8bn; proving healthy revenue visibility for the next few years

(USD mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
CSM Order book	1,500	1,500	1,500	1,500	1,500	1,500	1,400	1,400	1,400	1,400	1,800	1,800	1,800
QoQ gr. (%)	7.1	-	-	-	-	-	(6.7)	-	-	-	28.6	-	-

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	**52,995**	**64,920**	**79,458**	**94,100**
YoY gr. (%)	*15.8*	*22.5*	*22.4*	*18.4*
Cost of Goods Sold	29,228	35,527	44,524	52,268
Gross Profit	23,767	29,393	34,935	41,832
Margin (%)	*44.8*	*45.3*	*44.0*	*44.5*
Employee Cost	4,804	5,266	6,396	7,740
Other Expenses	7,539	8,706	10,132	11,836
EBITDA	**11,424**	**15,421**	**18,407**	**22,256**
YoY gr. (%)	*12.9*	*35.0*	*19.4*	*20.9*
Margin (%)	*21.6*	*23.8*	*23.2*	*23.7*
Depreciation and Amortization	2,018	2,265	2,761	3,256
EBIT	**9,406**	**13,156**	**15,646**	**19,000**
Margin (%)	*17.7*	*20.3*	*19.7*	*20.2*
Net Interest	128	371	68	72
Other Income	1,014	1,590	1,622	1,654
Profit Before Tax	**10,292**	**14,375**	**17,200**	**20,582**
Margin (%)	*19.4*	*22.1*	*21.6*	*21.9*
Total Tax	1,890	2,148	2,754	3,301
Effective tax rate (%)	*18.4*	*14.9*	*16.0*	*16.0*
Profit after tax	**8,402**	**12,227**	**14,445**	**17,280**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**8,402**	**12,227**	**14,445**	**17,280**
YoY gr. (%)	*14.5*	*45.5*	*18.1*	*19.6*
Margin (%)	*15.9*	*18.8*	*18.2*	*18.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**8,402**	**12,227**	**14,445**	**17,280**
YoY gr. (%)	*14.5*	*45.5*	*18.1*	*19.6*
Margin (%)	*15.9*	*18.8*	*18.2*	*18.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,402	12,227	14,445	17,280
Equity Shares O/s (m)	**152**	**152**	**152**	**152**
EPS (Rs)	**55.5**	**80.7**	**95.3**	**114.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	**32,531**	**36,326**	**45,909**	**50,960**
Tangibles	31,336	35,215	44,265	49,316
Intangibles	1,195	1,111	1,644	1,644
Acc: Dep / Amortization	**8,006**	**10,271**	**13,032**	**16,287**
Tangibles	8,006	10,271	13,032	16,287
Intangibles	-	-	-	-
Net fixed assets	**24,525**	**26,055**	**32,877**	**34,673**
Tangibles	23,330	24,944	31,233	33,029
Intangibles	1,195	1,111	1,644	1,644
Capital Work In Progress	1,145	1,324	1,185	1,186
Goodwill	-	-	-	-
Non-Current Investments	258	55	255	455
Net Deferred tax assets	(875)	(213)	(213)	(213)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	8,547	9,843	9,843	9,843
Inventories	14,234	13,976	14,472	17,006
Trade receivables	8,687	7,720	13,113	15,533
Cash & Bank Balance	14,102	22,429	12,321	21,283
Other Current Assets	2,391	1,939	1,939	1,939
Total Assets	**77,911**	**84,797**	**87,461**	**1,03,373**
Equity				
Equity Share Capital	152	152	152	152
Other Equity	61,052	71,833	85,002	1,00,914
Total Networth	**61,204**	**71,985**	**85,153**	**1,01,066**
Non-Current Liabilities				
Long Term borrowings	979	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,699	-	-	-
Trade payables	9,242	8,380	11,996	13,839
Other current liabilities	357	381	(338)	(2,181)
Total Equity & Liabilities	**77,426**	**84,797**	**1,00,862**	**1,16,775**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	10,328	14,443	17,200	20,582
Add. Depreciation	2,018	2,265	2,761	3,256
Add. Interest	128	371	68	72
Less Financial Other Income	1,014	1,590	1,622	1,654
Add. Other	(160)	(1,557)	(1,622)	(1,654)
Op. profit before WC changes	12,314	15,522	18,407	22,256
Net Changes-WC	(5,276)	2,050	(2,992)	(4,954)
Direct tax	(1,751)	(2,558)	(2,754)	(3,301)
Net cash from Op. activities	**5,287**	**15,014**	**12,661**	**14,000**
Capital expenditures	(3,362)	(3,225)	(9,444)	(5,052)
Interest / Dividend Income	-	-	1,622	1,654
Others	2,258	(1,737)	(200)	(200)
Net Cash from Invt. activities	**(1,104)**	**(4,962)**	**(8,022)**	**(3,598)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(720)	(2,669)	-	-
Dividend paid	(758)	(1,137)	(1,277)	(1,368)
Interest paid	(85)	(342)	(68)	(72)
Others	(210)	(683)	-	-
Net cash from Fin. activities	**(1,773)**	**(4,831)**	**(1,345)**	**(1,440)**
Net change in cash	**2,410**	**5,221**	**3,294**	**8,962**
Free Cash Flow	1,916	11,751	3,217	8,948

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	55.5	80.7	95.3	114.0
CEPS	68.8	95.6	113.6	135.5
BVPS	403.9	475.1	562.0	667.0
FCF	12.6	77.6	21.2	59.1
DPS	5.0	7.5	8.4	9.0
Return Ratio(%)				
RoCE	15.7	19.4	19.9	20.4
ROIC	20.6	31.4	23.3	25.7
RoE	14.7	18.4	18.4	18.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.3)	(0.3)
Net Working Capital (Days)	94	75	72	73
Valuation(x)				
PER	59.0	40.6	34.3	28.7
P/B	8.1	6.9	5.8	4.9
P/CEPS	47.6	34.2	28.8	24.2
EV/EBITDA	41.7	30.1	25.7	20.9
EV/Sales	9.0	7.1	6.0	4.9
Dividend Yield (%)	0.2	0.2	0.3	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	**15,432**	**17,700**	**16,132**	**15,656**
YoY gr. (%)	*29.3*	*30.7*	*18.9*	*12.2*
Raw Material Expenses	8,666	9,697	8,525	8,639
Gross Profit	6,766	8,003	7,607	7,017
Margin (%)	*43.8*	*45.2*	*47.2*	*44.8*
EBITDA	**3,456**	**4,319**	**4,151**	**3,428**
YoY gr. (%)	*38.9*	*47.9*	*40.0*	*12.4*
Margin (%)	*22.4*	*24.4*	*25.7*	*21.9*
Depreciation / Depletion	560	560	567	577
EBIT	**2,896**	**3,759**	**3,584**	**2,851**
Margin (%)	*18.8*	*21.2*	*22.2*	*18.2*
Net Interest	36	111	89	33
Other Income	241	317	502	495
Profit before Tax	**3,101**	**3,965**	**3,997**	**3,313**
Margin (%)	*20.1*	*22.4*	*24.8*	*21.2*
Total Tax	516	629	484	519
Effective tax rate (%)	*16.6*	*15.9*	*12.1*	*15.7*
Profit after Tax	**2,585**	**3,336**	**3,513**	**2,794**
Minority interest	(39)	(12)	(5)	(12)
Share Profit from Associates	-	-	-	-
Adjusted PAT	**2,624**	**3,348**	**3,518**	**2,806**
YoY gr. (%)	*45.1*	*45.2*	*58.5*	*37.3*
Margin (%)	*17.0*	*18.9*	*21.8*	*17.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,624**	**3,348**	**3,518**	**2,806**
YoY gr. (%)	*45.1*	*45.2*	*58.5*	*37.3*
Margin (%)	*17.0*	*18.9*	*21.8*	*17.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,624**	**3,348**	**3,518**	**2,806**
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	**17.3**	**22.1**	**23.2**	**18.5**

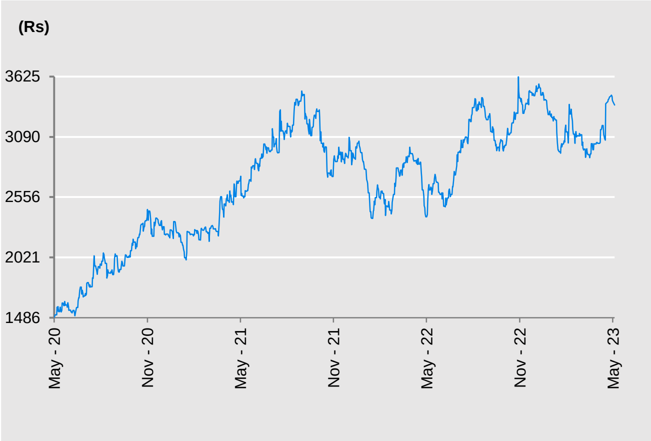
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Revenues				
CSM	39,902	50,304	60,868	73,650
Domestic	13,093	14,616	15,931	17,525

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Apr-23	BUY	4,530	3,385
2	11-Apr-23	BUY	4,500	3,030
3	15-Feb-23	BUY	4,500	3,122
4	05-Jan-23	BUY	4,350	3,328
5	09-Nov-22	BUY	4,350	3,624
6	04-Oct-22	BUY	3,450	2,956
7	04-Aug-22	BUY	3,450	3,028
8	04-Jul-22	BUY	3,340	2,581
9	22-Jun-22	BUY	3,340	2,485

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,630	4,125
2	Chambal Fertilizers & Chemicals	BUY	360	279
3	Coromandel International	BUY	1,310	962
4	Dhanuka Agritech	BUY	940	639
5	Godrej Agrovet	Hold	420	423
6	Insecticides India	Accumulate	700	491
7	P.I. Industries	BUY	4,530	3,385
8	Rallis India	Hold	200	191
9	Sharda Cropchem	BUY	640	497
10	Sumitomo Chemical India	BUY	590	428
11	UPL	BUY	850	715

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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